



**KING COUNTY**  
Commission on Governance

**REPORT AND RECOMMENDATIONS**

MARCH

04





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# Executive Summary

S U M M A R Y

## The Challenge

King County is an exceptionally prosperous community, but King County's \$500 million general fund faces a long-term structural revenue gap. County expenditures are growing faster than revenues. At current growth rates, costs for law and justice services threaten to consume all general fund revenues by the year 2009 (jail, court, prosecution, defense services, that make up over 70% of general fund costs). King County's possible responses are likely to be unacceptable to King County residents: preserve all existing programs at the current growth rate (25% increase in taxes); preserve the law and justice system eliminating all other services; protect all programs except law and justice (meaning a 35% cut in law and justice agencies); or impose 15% across-the-board reductions.

It is evident that small changes to services or the structure of County leadership cannot resolve the problem.

For some, a discussion of "governance" is dominated by issues of the size of the County Council and whether county officials should be elected on a partisan or non-partisan basis. Our research, testimony, correspondence and deliberations convinced us these topics are very small parts of much bigger governance challenges facing our region.

These challenges include: human services, transportation, and other urgent community needs; an assurance that our countywide government isn't devoured by costs and services devoted to criminal justice; the level of political representation for the 300,000 residents of unincorporated areas; our capacity to devote county-wide resources to public priorities; our inability to resolve issues associated with incorporations and annexations. These concerns dwarf the importance of how many people serve on the County Council, or whether they are elected on a partisan basis.

Although there are no "cure-alls" to solve King County's financial problems, our recommendations focus on actions that we believe will help to advance the goal of better governance. We found a need for King County elected officials to exercise their leadership county-wide to pursue the following recommendations.

*The size of the County Council and whether county officials should be elected on a partisan or non-partisan basis are very small parts of much bigger governance challenges facing our region.*

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We do not recommend that the County drop any line of service that it now provides. King County has a mandated and partnership role in many county-wide and local services. County-wide services include law and justice, transit, wastewater, health, mental health, chemical dependency services, and general government services such as elections and assessments. Local service responsibilities in unincorporated areas include, among others: police, parks, community development, roads, and surface water services.

The County must change its policy and operations in key areas: intergovernmental relations; law and justice; human services; and management approaches. Our ideas for these changes include:

It is unacceptable for the County's "growth industry" to be law and justice services. Although some of these costs are identified as mandatory, King County must identify an appropriate and affordable level of service for law and justice services, analyzing drivers of employment and aggressively and proactively constraining inputs to the law and justice system while continuing to protect our citizens from crime. The caseload-driven nature of the system is what drives employment; staffing levels can be affected by reducing recidivism in the law and justice system. Solving the budget problem requires reforming policy, process and funding in all agencies (police, courts, prosecution, defense, and jail); these choices cannot be considered without deep analysis into processes, labor costs, indirect costs and management costs.

Pressure on the criminal justice system cannot be decreased without corresponding major investments in targeted human services. A paradigm shift must occur across government, private, and non-profit sectors. Public education about the benefits of providing community treatment, intervention, and supportive services must be emphasized, and corresponding investments made. The severity of public sector funding constraints means significant community-based, private sector investment is needed. We call upon civic, community, foundations and faith-oriented leaders, in communication with County and city political leaders, to initiate a private-sector “Forward Thrust for Human Development” effort to mobilize resources in King County for a ten-year program of preventive and early treatment interventions through non-profit, and including faith-based, organizations. The focus should be funding and community support for services that reduce adult and juvenile crime. This commitment could be in the hundreds of millions of dollars; we do not recommend a dollar

*Solving the budget problem requires reforming policy, process and funding in all criminal justice agencies; these choices cannot be considered without deep analysis into processes and costs.*

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decreases; and expand the use of alternative sanctions and community programs for non-violent offenders. Encourage the release of warrants across court systems with appropriate security.

- **PURSUE COST-SHARING** with the State of Washington for mandatory law and justice system costs, increasing the State's contribution.
- **SEEK** Court reforms, including short-term consolidation of Superior Court and District Court administrative functions, and longer-term exploration of a single trial court and the role of municipal courts.
- **PURSUE OPPORTUNITIES** for reverse-contracting with cities where appropriate.
- **MODIFY** County staffing after annexations and incorporations with changing service demands.
- **PURSUE THE IMPLEMENTATION** of biennial budgeting.

### How Services Should Be Funded

The State's legal and structural funding framework allows for few new funding ideas for county governments. The Budget Advisory Task Force (BATF) offered comprehensive and worthwhile recommendations for full cost recovery, state fiscal support for mandated services, and pursuit of grant opportunities. A majority of the Commission believes that the creation of a utility tax in unincorporated areas would distract from the focus on annexation or incorporation of urban unincorporated areas. Broader public understanding could be gained from an extensive County educational effort and creation of a taxpayer's bill of rights. The creation of dedicated funds for services should be avoided, to allow for flexible funding to respond to changing service needs. Future state and federal funding should be granted directly to counties and not "passed through" the state where administrative costs are deducted (similar to Community Development Block Grants that cities and counties receive from the federal government).

### Governmental Structural Changes As King County's Service Role Shifts

We see King County's future service roles shifting from three service roles (local urban, local rural, and regional) to two: provider of county-wide services and local service provider in the County's rural areas. As the County divests itself of urban service provision, the political structure of the County should be reconsidered, including:

- **CONSOLIDATING** internal service functions for all agencies in a single county-wide office focused on consistent management and cost controls;

- ▶ **A FOCUSED** examination by the next Charter Review Commission of the Council-Executive form of government, considering other forms such as appointed County-Manager and Council-Board President with blended legislative-executive powers; and
  - ▶ **LONGER-TERM**, the Commission recommends that size of the Council be revisited as the annexation or incorporation of urban areas proceeds, reviewing whether Council size should be reduced to a number sufficient to accommodate the revised scope of King County government.
- **Other highlights of governmental structure recommendations include:**
- ▶ **RETAIN** the County Executive, Council, Prosecutor and Assessor positions as elected and partisan offices; and
  - ▶ **APPOINTED** Sheriff and elections administration to carry out these relatively specialized and technical functions.

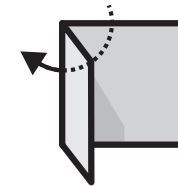






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**Fold-out** this panel for a quick reference to the actions that are being suggested by the corresponding icons throughout this report.



## Recommendations

### Icon Key

Commission recommendations are listed in **bold type** throughout the report.

**Each recommendation also suggests actions to be taken using an icon showing what needs to happen:**



County can do on its own



County would do in dialogue/negotiation with cities



County would do in dialogue with State, or make part of State Legislative agenda



May require a change to King County Charter or Code



May require a change in State law



County should address immediately (2004-2007)



Longer-term recommendation (2007 and beyond)



County must engage/educate public

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## How This Report is Organized

The transmittal letter to the Metropolitan King County Council serves as an Executive Summary for this report, and highlights key themes and ideas.

The next two sections, “Work Plan & Project Approach” and “The Challenge,” detail the Commission’s work plan and the challenges faced by the County, followed by Commission recommendations organized according to the four phases of work:

1. Services to be Provided
2. How Services Should Be Provided
3. How Services Should Be Funded
4. Governance and Political Structure to Provide Services

## Appendices to the Report

**A SEPARATE BOUND DOCUMENT**

- **A:** Recommendation Summary by County Action & Partnerships
- **B:** King County Ordinance 14514: Commission Charge
- **C:** Commission on Governance Work Plan & Operating Principles
- **D:** 2004 Proposed Annexation Legislation and Tri-Association Legislative Agenda
- **E:** Countywide Planning Policies: Regional Finance & Governance
- **F:** Executive Summary: Adult Justice Operational Master Plan Capacity Options
- **G:** King County Regional Policy Committee Human Services Task 2 Findings
- **H:** Human Services Indicator Data: Executive Summaries
  - ▶ United Way of King County Report to Community
  - ▶ One-night Homeless Count
  - ▶ 2002 Communities Count Report
- **I:** Funding and Financing Information (Berk & Associates)
- **J:** "Peer" Counties Research Report (Berk & Associates)
- **K:** King County Organizational Chart & Form of Government
- **L:** Fiscal Balance Framework (Berk & Associates)
- **M:** Form of Government Information from International City-County Management Association
- **N:** Excerpt, League of Women Voters 1996 Governance Report
- **O:** 20 Most Populous Counties Data
- **P:** King County Demographics, Trends & Government
- **Q:** Commission Correspondence



## Commission Charge

The Commission on Governance is an 11-member citizen panel created by King County Ordinance 14514 (Appendix B), and convened in spring of 2003, to examine four areas of County operations and funding:

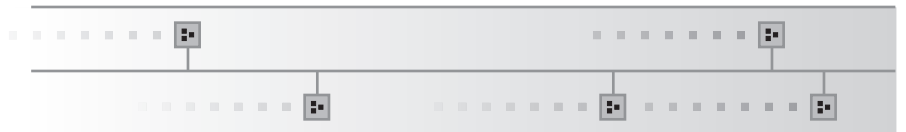
1. What services are to be provided by King County, given the fiscal challenges faced by the regional government;
2. How those services should be provided, and what changes, if any, are recommended to employment policy;
3. How those services should be funded, including changes to Current Expense Fund or dedicated revenue sources; and
4. A governance structure to provide those services, addressing the number of elected officials in all branches of government, whether those offices should be elected or appointed, partisan or non-partisan.

The Commission's adopted work plan states that all County operations (Current Expense and non-Current Expense-funded), not just those services funded by the general fund, are appropriate to review from a governance perspective.

The Commission's goal is to recommend to the Metropolitan King County Council, the King County Executive, and the residents of King County, governance reforms essential to improving or maintaining responsive and effective delivery of regional government services to all residents of King County and local government services to unincorporated area residents, by March 31, 2004.



# WORK TIMELINE



KING COUNTY COMMISSION ON GOVERNANCE

# WORK TIMELINE

## King County Commission on Governance

### March • 2003

Commission on Governance Created (Ordinance 14514)

### April • 2003

Commission Empaneled

Commission Charge and Workplan

Services to be Provided by King County

- Understanding the County's Challenges
- Past Freeholder and Charter Review Commission Work
- Overview of County Services and Budget
- King County Demographics and Trends
- Budget Advisory Task Force Recommendations
- Understanding Issues of the Cities in King County
- Preliminary Service Recommendations
- Community Forum 1

### September • 2003

How County Services Should be Provided

- Law and Justice
- Human Services
- Intergovernmental Relations and Growth Management Act
- Employment Policies, Trends and Issues
- Internal Services and Management Approaches
- Models, Best Practices, and Case Studies from Other Areas
- Preliminary Service Delivery Recommendations

### November • 2003

How County Services Should Be Funded

- Revenue Source Assessment: Stability and Sufficiency of Current and New Sources
- Statutory Authority
- Funding Environment
- Fiscal Balance Framework
- Budget Advisory Task Force Recommendations
- Preliminary Funding Recommendations

### January • 2004

Governance and Political Structure to Provide Services

- Executive and Legislative Relations
- Partisanship
- Elected or Appointed Offices
- Size of Council
- Community Forum 2
- Preliminary Governance Recommendations

### March • 2004

Final Recommendations and Report

## Project Approach

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In some cases, small groups of Commission members worked between meetings to research issues and draft proposals to help the Commission with their discussion and decisions.

- ▶ The environment must be open enough so each person feels s/he has had a fair chance to speak and be heard.
- ▶ Sufficient time must be given to thoroughly discuss the problem and for everyone to gain an understanding of the group's decision.
- ▶ Each member should understand the decision or solution on the table.
- ▶ Where substantial differences of opinion exist, the final report shall make an effort to reflect the divergence of views.
- ▶ In cases of disagreement, the majority shall seek to assure that, where possible, final recommendations will be worded to achieve the broadest support within the Commission.





## The Challenge

Based on the value of our real estate, King County is among the richest counties in the country. On the whole, we are an educated and prosperous community. Most of our economy is healthy and we gained 207,000 jobs in the last decade.

However, King County as a regional government is faced with a severe funding crisis.

The total 2004 County budget is nearly \$3 billion, made up of different government funds. In general, money from one fund cannot be used to benefit another fund due to strict legal and accounting requirements. For example, monies from the Metro bus system cannot be used to pay for general fund services like the jail. Likewise, the bus system must pay for services it receives from other County funds (such as accounting services).

The County's funding crisis exists in the \$497 million general fund (commonly known as the Current Expense or CX Fund). Two-thirds of general fund revenues come from taxes. The County's future property tax growth is capped at 1% per year plus new construction, and sales tax revenues have been flat.

The services paid for by the general fund are basic operations of the County such as courts, court clerks, prosecution, defense, the jail, human services, records and elections, property assessments, human services, some park functions, the budget and finance functions (also financed by non-general funds), and legislative and executive functions.

As the Commission began its work, the County was expecting a \$24 million general fund shortfall in each year of 2004-2005. Due to limits on tax revenues, a structural revenue gap exists into the future: County expenditures will continue to grow faster (at about 5-6% per year) than revenues (about 1-2% per year). In addition, Exhibit One shows that costs for law & justice (jail, court, prosecution and defense services) are growing at a rate that would consume all general fund revenues by the year 2009.<sup>1</sup>

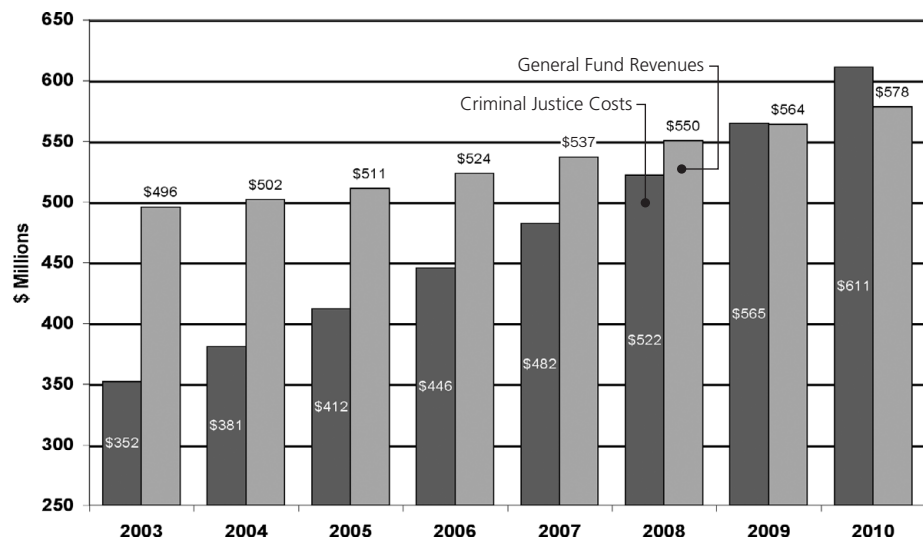
<sup>1</sup>Metropolitan King County Council Presentation, March 2003.

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EXHIBIT ONE  
Projected Growth of King County General Fund Criminal  
Justice Expenditures and Available Revenues



During the past two years, projected County budget shortfalls of \$90 million were met by consolidation or reorganization of agencies; administrative efficiencies and layoffs; closure of a treatment facility; elimination of parks, pools and community center services; increased fees; cuts to health and human services, arts & heritage, general government, criminal justice; and the use of one-time fund balances.

Other influences on the crisis include unfunded mandates, insufficiently funded state programs and lost state tax revenues between 1995-2001, which totaled an estimated \$40 million.

To make these cuts, King County used the following priorities:

- ▶ Direct services prioritized over administrative functions;
- ▶ Mandatory services prioritized over discretionary services;
- ▶ Regional services prioritized over local services;
- ▶ Unincorporated services prioritized over local services in cities;
- ▶ Raising fees prioritized over cutting services; and
- ▶ Full cost recovery in contracts for services.

Even with these measures in place, future shortfalls are inevitable as the rate of growth of existing services continues to exceed the rate of growth of property tax revenues.



The crisis is exacerbated in part by the national and regional economic downturn; dot-com business bust; and additional job losses from Boeing. King County government faces a chronic funding crisis, which will not go away as the business cycle recovers. Most of the County's future revenues have been capped by recent voter initiatives, reflecting the priorities of Washington's citizens. This has left resources that are considered inadequate for the continued level of support of existing County services and infrastructure.

In addition to these factors, it has been difficult for King County to be an efficient, high-quality and low-cost service provider.

- ▶ The County is a large governmental bureaucracy with inefficiencies, duplicative and competing services, and increasing demands from a diverse population.
- ▶ The role of counties in the State of Washington is increasingly unclear. Both urban and rural unincorporated areas look to the County to provide local government services in addition to county-wide services, adding further confusion to its role.
- ▶ The intersection of overlapping jurisdictions, incorporations and annexations has caused complexity and inequities in service levels, and dysfunctional service delivery systems.
- ▶ Management and labor cost containment are one key to the resolution of the County's budget crisis, as salaries and benefits make up most of the costs of service.
- ▶ The complexity of the budget and accounting system obscures true cost visibility, complicates assignment of responsibility, and impedes performance measurement, development of alternatives, and explanations to the public.

### Four Unacceptable Scenarios Describe Our Future

As already noted, the financial portents are not favorable. In King County, expenditures are increasing at a rate of roughly six percent while revenues are increasing at roughly two percent.

To illustrate the financial challenges King County faces if the current rate of increases in taxes and spending is unchanged, we present four scenarios.

#### ■ Scenario One: Preserve All Existing Programs at the Current Growth Rate (25% Increase in Taxes).

To do this, King County's revenues by the year 2010 must increase by an average of \$40 million per year, in excess of current projected increases. That would leave no room for new needs. Accomplishing this scenario



- **Scenario Two: Preserve the Law and Justice System (Eliminating All Other Services).**

- **Scenario Three: Protect all Programs Except Law and Justice (Cut Law and Justice by 35%).**

While some savings in the current system might be attained by changes in enforcement or incarceration policies, a 35% reduction while the County population is growing would mean major changes in the protection offered to King County citizens.

- **Scenario Four: Across-the-Board Reductions in All Categories (15%).**

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**None of these scenarios are likely to be acceptable to King County residents. It is evident that tinkering with current service levels cannot resolve the problem.**

We commend the Budget Advisory Task Force (BATF) for its recent recommendations, and recognize that if adopted, these measures will only postpone the consequences discussed above by one or two years.

King County needs to change the culture of government and determine its core functions. And it needs to change the way in which it does business.

Prioritization of major, critical services is necessary to be able to govern well. In a time of scarcity, some existing “good” services may need to be scaled back or eliminated so that higher value services are fully funded. The level, scope and delivery of priority services must be well-defined and performance-based.

Maintaining equal or improved service levels at a reasonable cost may lead to consideration of other forms of service delivery, including contracting with local governments and the for-profit and not-for-profit private sector.

Effective coordination at all jurisdictional levels is one key to delivering county-wide and local services, requiring us to define who can effectively deliver which services and what sacrifices need to be made.

Our charge was to reconsider how County government should be structured to serve county-wide needs for health and human services, public works and public safety, and local services for unincorporated residents.

Determining how that can be accomplished goes beyond the scope of a citizen commission and can only be achieved through the hard work of the political leadership of the County. We are aware of Governor Locke's "Priorities of Government" approach for state budgeting, and we urge the King County Council and Executive to use this example in fundamentally changing the County's approach to its business.

In the report that follows, we identify actions that we believe will help, and will advance the goal of better governance. But we are under no illusion that we found a “cure-all” to solve King County’s financial problems.

*King County needs to change  
the culture of government and  
determine its core functions.  
And it needs to change the way  
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